



Bryce Yokomizo
Director

July 22, 2002

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

SUBJECT: ADMINISTRATIVE UPDATE ON FOOD STAMP SANCTION - FFY 2001

This is to update you on the California Food Stamp sanction liability for Federal Fiscal Year (FFY) 2001 and the actions of the Department to mitigate fiscal liability.

As mentioned in the Chief Administrative Officer letter of July 2, 2002, the California Department of Social Services (CDSS) submitted a settlement offer to the United States Department of Agriculture (USDA), Food and Nutrition Services (FNS) on June 20, 2002. The settlement requested that, based on LEADER implementation and other extenuating circumstances, FNS reduce California's FFY 2001 liability from \$114.3 million to \$43 million, of which \$4.3 million would be an upfront payment to the USDA and \$8.6 million would be re-invested in Food Stamp quality control activities over two federal fiscal years, 2003 and 2004. The remaining \$30 million would be held at risk and liable for payment only if the State fails to reduce its error rate by approximately 25 percent per year for four years beginning with FFY 2002.

On June 28, 2002, FNS flatly rejected the proposal. To settle, California would have to pay \$57 million in two installments in July 2002 and July 2003. Additionally, \$28.6 million would need to be reinvested in projects to improve Food Stamp payment accuracy, beginning in FFY 2002 and being completed no later than September 30, 2004. The remaining \$28.6 million would be held at risk over three FFYs, if California does not meet established targets, which begin at 13.37 percent for FFY 2002 and conclude with achieving the National average in FFY 2004.

CDSS has sent a formal notice to USDA for an extension of time to appeal the USDA response. The extension was granted and CDSS will have until August 8, 2002, to file an "Intent to Appeal." Following that, CDSS will have 60 days to file an appeal.

As our County is responsible for about 76% of the State's sanction liability, my Department is working aggressively with CDSS and several California counties on an appeal as well as seeking federal legislative relief and encouraging State and National associations to support our position. We have also begun to work with County Counsel concerning options available to the County.

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Since some level of reinvestment into the Food Stamp Program is likely, the Department has developed a list of reinvestment proposals for consideration once the final USDA sanction is known. Additionally, GovConnect, the consultant hired by CDSS to assist the Department in developing a Business Improvement Plan which is now being implemented, has provided the Department with some reinvestment suggestions for evaluation.

My Department continues to be actively engaged in working with CDSS and other counties to gain legislative or appeal relief from the sanction, and to pursue identification of new county error reduction projects to prevent future sanction. I will keep you apprised of issues related to the Food Stamp error rate and fiscal liability.

BY:pas

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller